



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

September 3, 2010

Mr. Chris Thorne  
Chairman International Valuation Standards Board  
International Valuation Standards Council  
41 Moorgate  
LONDON, EC2R 6PP  
United Kingdom

Re: International Valuation Standards Council June 2010 Exposure Draft

Comments by RICS Americas – Valuation Council

Dear Mr. Thorne:

Thank you for this opportunity to provide comment on the International Valuation Standards Council's June 2010 Exposure Draft of proposed International Valuation Standards. We are well aware of and appreciative for your years of dedicated involvement in standards work on behalf of the public and valuers everywhere. Because we have common goals, especially in promoting consistency and understanding of valuations of all types, and promoting convergence of existing valuation standards around the globe, we look forward to continuing collaboration in our efforts.

The comments presented below are our general overview, which address what we see as primary topics. The Attachment to this general overview contains detailed revision recommendations. Our team of reviewers included experts from each property discipline.

These general overview comments and the revision recommendations in the Attachment are separate from the comments presented by RICS Global, to reflect the regional perspective of RICS Americas. We have had the benefit of dialogue with RICS Global with regard to the Questions for Respondents and fully concur with and defer to the RICS Global contribution to your effort.

**RICS Americas**

60 E. 42nd Street, Suite 2918 New York, NY 10165 T (212) 847-7400

[rics@ricsamericas.org](mailto:rics@ricsamericas.org)

[www.ricsamericas.org](http://www.ricsamericas.org)



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## **General Overview:**

### **Structure of the Presentation:**

While the general arrangement of the material is a logical sequence, we found it difficult to clearly separate the “standard” from what was guidance or the rationale and reasoning for the standard. We believe the primary and initial focus of this document should be to create Standards, which would need to be much more brief and cover less detail. We recommend that the portions of the current document that are intended to provide rationale should be structured in a way to allow identification of it separate from the Standards.

To help make the standards more easily recognizable and understandable to valuers and the public, we urge the following:

*That “the standard” be clearly and concisely stated, and*

*Any clarifying guidance and/or rationale be included either in a separate but linked document or by clearly recognizable format differences (indenting, text style, etc.).*

In sum, the presentation should make clear which parts are: 1) the standard versus 2) rationale versus 3) elaboration or guidance on a standard.

### **Scope:**

Because the standards’ scope is “global,” the matter of jurisdictional requirements may prompt departure in some venues. In several areas the terminology is framed in a regional context (e.g., Plant and Equipment, Property Interests’ labels, Property, Plant and Equipment in the Public Sector). To avoid confusion or numerous departures, we urge consideration of making the standards less subject to geographic differences, either by elevating the standards to a more general level or by providing regional-based specifics.

### **Object (Subject) of the Valuation:**

Throughout the exposure draft we found inconsistent characterization of the subject or object of a valuation. Valuers recognize that it is the ownership interest (rights, in full or in part) in tangible or intangible assets (or a combination) that is “valued.” In many instances of our exposure draft review we found inconsistent characterization of what is being valued, especially in the labels for each of the Asset Standards which has focus on the asset (property) type. Recommended revisions in the 300.XX Asset Standards’ labels are included herein. We also

**RICS Americas**

60 E. 42nd Street, Suite 2918 New York, NY 10165 T (212) 847-7400

[rics@ricsamericas.org](mailto:rics@ricsamericas.org)

[www.ricsamericas.org](http://www.ricsamericas.org)



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

recommend a General Standard (100.XX series) to address identification of the property ownership interest as a standard, similar in weight to identification of the basis of value.

**Terms/Phrases:**

In the Glossary and throughout the document, terms and phrases are defined or used in ways not consistent with other standards or areas of practice. In two instances we found essential terms that should be defined in the Glossary. As examples:

- ***Fair Value (for use in Financial Reporting) versus Fair Value (for Other Than Financial Reporting)***. In the former, we recommend defining and applying the term consistent with IFAS. In the latter, we recommend defining the term in the context of Value in Exchange and Value in Use (see below).
- ***Modifiers used with “value.”*** As detailed in our revision recommendation under “Price, Cost and Value” (Exposure Draft Page 10, #3), “estimate” was used in the exposure draft to characterize market value but not for investment value or specialized value. We recommend a framework, described in our attached rationale that would reduce misunderstandings and develop an understandable guide for use of the modifiers in a manner consistent. Terms for the stages of valuation (research, analysis, reconciliation, and conclusion) can more clearly delineate the stage as follows:
  - Facts and/or Estimates are analyzed to develop Indications
  - Indications are Reconciled to form a Conclusion
  - The valuer’s Conclusion is communicated as an Opinion of Value
- ***Value in Exchange and Value in Use***. These terms should also be defined in the Glossary. Special treatment of these concepts when a valuation is performed for financial reporting should be clarified. Further, we recommend a treatment of these terms as part of the Bases of Value General Standard.

**RICS Americas**

60 E. 42nd Street, Suite 2918 New York, NY 10165 T (212) 847-7400

[rics@ricsamericas.org](mailto:rics@ricsamericas.org)

[www.ricsamericas.org](http://www.ricsamericas.org)



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

### **Identifying Property Characteristics:**

Correct identification of the property characteristics involved in a valuation needs further development in the proposed standards. This is especially so when the object of the valuation is the ownership in a group of asset components (e.g., tangible and intangible assets) and when a standalone asset (e.g., a building sheltering machinery and equipment, neither of which would exist without the business enterprise that uses those asset components) is being valued as part of a group holding. Our recommended revisions under Entity Specific Factors and Aggregation (Exposure Draft Pages 12 and 13 – Pages 3 and 4 in our Attachment) offer partial solutions for this matter.

### **Characterizing Valuation Approaches**

The characterization of valuation approaches, both in terms of methodology and in terms of a hierarchy require reconsideration. Recommended revisions are included in the Attachment.

### **Of Special Concern**

The exposure draft opines as to the appropriateness of a particular approach in valuations. We found those views inconsistent with generally accepted practice in several scenarios. Our recommended revisions include avoiding a pre-determined hierarchy. Rather, we recommend identification and focus upon the characteristics of the ownership and asset or asset group to be valued and the basis of value when deciding which approaches have the greatest merit in the valuation.

Again, our thanks for this opportunity to contribute to your efforts on such an important cause. We will be happy to discuss our reasoning and to answer any questions you may have.  
Sincerely,

Matthew Bruck

Managing Director RICS Americas

John D. Dorchester

Chairman RICS Americas Valuation Council

**RICS Americas**

60 E. 42nd Street, Suite 2918 New York, NY 10165 T (212) 847-7400

[rics@ricsamericas.org](mailto:rics@ricsamericas.org)

[www.ricsamericas.org](http://www.ricsamericas.org)



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

**RICS Americas Valuation Council Comment**

**IVSC June 2010 Exposure Draft – International Valuation Standards**

**ATTACHMENT – Specific Revision Recommendations**

**Preface:**

The revision recommendations presented in this *Attachment* are based on input received from Valuation Council members by the Council's Standards Board.

These recommendations are specific to material in the IVSC's June 2010 Exposure Draft, arranged with the topic identified, followed by citation of the Exposure Draft page and paragraph number. The revision recommendation is then presented in [brackets].

When necessary, the rationale for a revision recommendation is then presented as an indented paragraph below the recommendation.



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## Combined Revision Recommendation List

IVS 101 General Concepts and Principles

[Add, as a bolded paragraph below the first bolded paragraph following the Contents list –

**“The concepts and principles apply to the valuation of a private property interest, not a property interest held by government whether directly or on behalf of the public.”**

Price, Cost and Value

ED Pg. 9, #1 [Line 3, replace the “than” following “different” with “from”]

ED Pg. 10 #3 [Line 1, replace “estimate of the likely” with “opinion of the most probable”; Line 4, replace “estimated” with “analyzed” and “estimate” with “opinion”; Line 6, add the following sentences –

“The value to the owner may be a “value in use” or an “investment value” depending on the objective and subject of the valuation. In contrast to value in exchange, the value to a specific owner reflects that particular owner’s situation and objectives regardless of the “market” characteristics (supply, demand, etc.) of the property.]

Rationale: As expressed in the General Overview comment paper, the word “estimate” should be used only in the context of a component of an analysis (e.g., estimated expense), not in the context of the analysis results. As a framework, we may use estimates (along with or in place of factual data) as components of an analysis; the result of an analysis (approach) is initially an “indication”; the result of reconciling the result of each analysis indication is the valuer’s “value conclusion” that is expressed as an “opinion of value” – Throughout these comments on the Exposure Draft, revision recommendations are presented to align the use of these terms (estimate, indication, conclusion, opinion) according to that framework.

In recognition that appraisers conclude the most probable price a property can command, “most probable” needs to precede “amount” in the definition.



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

Definitions for the terms “Value in Exchange” and “Value in Use” should appear in the Glossary.

ED Page 10, #4 [Revise the first sentence to read -

“The word valuation can be used to refer to the value opinion (the valuer’s conclusion) or to refer to the preparation of the value conclusion (the act of valuing).”]

#### The Market

ED Pg. 10, #6 [Line 1, replace “estimated” with “most probable”]

ED Pg. 11, #9 [Line 6, replace “estimating a” with “providing an opinion of most probable”; Line 8, Add the following sentence –

“The ‘conditions in the relevant market’ must include the valuer’s consideration of the knowledge and expectations of buyers and sellers in that market at the time.]

ED Pg. 11, #11 [Line 4, replace “are” with “may be” and add the following sentence between “... them.” And “Transactions ...” –

“Also, different levels of activity may reflect different levels of effective demand or effective supply, such as when buyer qualifications or property use restraints affect the liquidity of an asset (e.g., restricted stock in business valuation, title covenants or similar restrictions in real property valuation, license or export restrictions in plant and machinery valuation).”]

ED Pg. 12, #12 [Recommend the IVSC revisit this paragraph to elaborate for clarity and consistency with (or support divergence from) FASB and IASB guidance.]

#### Entity Specific Factors

ED Pg. 12, #15 [Line 1, replace “an entity” with “only one particular buyer”]

Rationale: It is fairly common (in fact, in most cases) in a business combination (acquisition) for new synergies to be created, such a reduced need to 2 accounting departments, etc. These synergies, or ones similar to them that



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

would have a similar effect on improved cash flows, would be enjoyed by most (if not all) market participants. These types of synergies are included in fair value (and we use that term to mean financial reporting fair value). The only synergies that are ignored are those of a nature that only one particular buyer would enjoy.]

ED Pg. 13, #17 [Line 2, replace “determine” with “develop an opinion of”]

#### Aggregation

[Expand the title of this sub-section to “Aggregation, Segmentation, and Contribution”]

Rationale: The expanded title includes situations when a valuer is asked to value an asset that is an essential part of a group of assets, as a hypothetical owner or market participant would use that asset within the group. For example, assume an entire business is bought and a building is an essential part of the business. Taken as an asset alone, that building could have a higher value in some other highest and best use. However, as part of the business operations, to continue to generate the overall cash flow that the business is generating, that building needs to continue to be used in its current use. If that building were sold off for some alternate highest and best use, the harm in value to the overall operations of the business would far offset the gain from selling that asset in the market for its standalone highest and best use. Therefore, a hypothetical buyer or market participant would not sell the building for some other use but would continue using it as it is. This would reflect a value contribution of that asset segment in continued use, but not value to a particular owner – it would reflect the value contribution of that building to a market participant for the group of assets.

ED Pg. 13, #18 [Remove the period at the end of (d) and insert as 18. (e) “Identifying the value in use of an asset or group of assets within a larger group of assets, all held for continued use in an operating business unit.”]

#### Independence and Objectivity

ED Pg. 14, #21 [Delete the first sentence; Insert “impartial” between “making” and “judgments” in the original second sentence.]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

Rationale: While we believe it was not the intent, one possible reading of the first sentence is that it is alright to perform some valuations with bias. Paragraph #23 addresses conduct, thus we recommend deleting the first sentence in #21 to avoid implying bias is at times acceptable. Inserting “impartial” in the original second sentence seeks to avoid any possible misread of the message in #21.

#### Competence

ED Pg. 14, #24 [Line 2, delete “or firm”]

Rationale: As a general view, valuers provide services to clients directly or on behalf of a firm. Competence is possessed (or may be lacking) by the specific individual performing the valuation. While a firm may require that its identity be communicated as a service by the firm, the valuation itself is prepared by the valuer. Deleting “or firm” avoids confusing the user between the competence of the individual valuer and the business source (firm) of the service.



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## IVS 102 Valuation Approaches

### Direct Market Comparison Approach

ED Pg. 15 #2 [Line 3, replace “items” with “assets”; Line 4, delete “properties or”]

### Income Approach

ED Pg. 16 #3 [Line 2, replace “estimates” with “indicates”; Line 4, delete “capital” and insert “indication” after the word “value”]

ED Pg. 16, #4 [Line 2, Insert “(Overall)” after “all risks” and “rate” after “yield”, and replace “fixed” with “representative single period”]

Rationale: Using “representative single period” enable application of direct capitalization when processing a cash flow with a constant change (growth or decline) rate going forward – the change rate is integrated in the capitalization rate.

### Cost Approach

ED Pg. 16, #5 [Line 5, insert “the components” after “acquire; Line 6, insert “to construct or assemble” after “cost” and delete the following “of”]

Rationale: The edits avoid a reading of the description as a hybrid of the direct sales comparison approach (acquire a completed property unit).

### Hierarchy of Approaches

ED Pg. 16 #6 [Either remove this paragraph entirely or revise the text to result in a hierarchy determined by the Basis of Value that applies in the valuation and characteristics of the property under analysis, such that in a Market Value (or Fair Market Value) valuation the primary approach would be determined by how buyers and sellers determine their pricing of the asset (e.g., Price/Unit, Price/Income Relationship, or Price/Cost Relationship) in market transactions.]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

#### Use of Multiple Approaches and Methods

ED Pg. 17 #8 [Lines 1 and 2, delete “in order to arrive at the value estimate” Line 5, replace “estimate” with “opinion”]

#### Valuation Inputs

ED Pg. 17, #9 [In the two bulleted lists, use “income” or “cash flows” in both lists – Of those options, we recommend “cash flows”]

ED Pg. 17, #11 [Line 1, insert “basis of value in a” between “the” and “valuation”; Line 2, replace “estimate *market value*” with “develop and support a *market value* opinion”; Line 11, insert between “on” and “market” “appropriately analyzed” to read “appropriately analyzed market derived data”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

IVS 103

Bases of Value

#### Basis of Value

ED Pg. 19, #2 (a) [Revised to read “the approaches and methods used to develop the value opinion”]

ED Pg. 20, #3 [Add, following “categories’ “depending on the purpose of the valuation”

Ed Pg. 20, #3 (a) [Revise to read “*Market value*, as defined in this standard, applies when the purpose is to develop an opinion of the value (most probable price) that would be achieved in a hypothetical exchange in a free and open market.”

ED Pg. 20, #3 (b) [Revise to read “*Investment value* and *special value*, as defined in this standard, apply when the purpose is to develop an opinion of the benefits that an entity enjoys from ownership of an asset. The value is specific to that entity, and may have no relevance to market participants in general.”]

ED Pg. 20, #3 (c) [Revise to read “*Fair value*, as defined in this standard, applies when the purpose is to provide an opinion of the value (price) that would be agreed between two specific parties for the exchange of an asset. Although the parties may be unconnected and negotiating at arm’s length, the asset is not necessarily exposed in the market and the price agreed may be one that reflects the specific advantages or disadvantages of ownership to the parties involved rather than the market at large.”]

#### Market Value

ED Pg. 20, #6 [Line 1, delete “estimated” and insert “most probable”]

ED Pg. 21, #7 a) [Line 1, delete “*estimated*” and insert “most probable”; Line 5, replace “estimate” with “amount” and replace “an estimated” with “a” (to read “This amount specifically excludes a price inflated or ...”]

ED Pg. 21, #7 b) [Line 2, delete “estimated”]

ED Pg. 21, #7 c) [Line 1, delete “the estimated”; Line 3, delete “estimated”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

ED Pg. 23, #9 [Add as sentences at the end of the paragraph –

“In a valuation for market value, typically the highest and best use of an asset is analyzed on a standalone premise. When the valuation includes analyzing the highest and best use of an asset as part of a group of assets, the highest and best use of the individual asset must reflect its contribution as part of the asset group.”]

#### Fair Value

[Recommend a separate subject, titled “Fair Value for Financial Reporting” be used to address Fair Value in the IFRS context, moving #15 and #16 to that subject. Additional paragraphs, composed in harmony with how Fair Value is defined and applied in IFRS, could be added.

The balance of the “Fair Value” subject in this area of the Exposure Draft should be re-titled to “Fair Value for other than Financial Reporting” and consist of the material in #14, #17, and #18, with the following recommended revisions.]

ED Pg. 24, #14 [Line 1, delete “estimated”]

ED Pg. 24, #18 (a) [Delete “estimating”]

ED Pg. 24, #18 (b) [Delete “estimating”]

#### Special Value

[Recommend moving the last sentence of #21 on ED Page 25 to become the last sentence in #19 on ED Pg. 24.]

Rationale: Generally, the distinction being made by use of the term “Special Value” is that it embodies attributes that are not consistent with the conditions present in Market Value and, thus, must be clearly distinguished – Moving the sentence as recommended aids understanding of that purpose.

#### Additional Assumptions

ED Pg. 25, #25 [Line 1, add the phrase “without limitation” at the end]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## Forced Sales

[Recommend adding the term “Orderly Liquidation” as a separate subject in this area, to avoid confusion between the conditions involved with Forced Sales and Orderly Liquidation Sales and valuations associated with each type of transaction.]

ED Pg. 26, #27 [Lines 6 and 7, revise to read “... the opinion of the price obtainable in a forced sale cannot be realistically developed and supported.”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

IVS 104      Scope of Work

#### General Principle

ED Pg. 27, #1 [Line 3, insert “by the valuer and documented” after “determined”; Line 6, add as a new last sentence -

“If the valuer determines changes to the scope of work are necessary during the course of the work, those changes must be promptly documented between the valuer and client.”]

Rationale: The recommended revision establishes which party has final responsibility for the scope of work applied in the valuation, and that the scope of work is documented between the parties prior to the onset of the work.

#### Minimum Requirements

ED Pg. 27, #2 [Line 1, insert “description of” between “The” and “scope”]

ED Pg 27, #2 a) [Paragraph 2, Line 1, delete “or firm”]

ED Pg. 28, #2 g) [Line 1, add “and Analysis” after “Investigation”]

Rationale: The word “investigation” alone is not clearly understood to include the analysis processes, which are discussed in the paragraph below the sub-title. Adding the word “analysis” avoids that confusion.

ED Pg. 29, #2 h) [Paragraph 2, Line 5, change “should” to “must”]

ED Pg. 30, #2 l) [Second paragraph, Lines 2 and 3, delete “or other reasons are” and insert “is”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

IVS 105 Valuation Reporting

### General Principle

ED Pg. 31, #1 [Line 2, replace “commissioning party” with “client or its representative”; Line 5, replace “provided” with “process applied and reasoning in support of the value opinion”]

ED Pg. 32, #5 a) [Paragraph 2, Line 1, delete “or firm” and replace “confirming” with “setting forth”]

ED Pg. 32, #5 e) [Paragraph 2, add as an ending sentence –

“Other valuation bases applicable in a specific jurisdiction are recognized.”

ED Pg. 32, #5 f) [Paragraph 2, Line 1, replace “estimate” with “opinion”]

ED Pg. 32, #5 g) [Line 1, add “and analysis” after “investigation”; Paragraph 2, revise to include “analyses” in the paragraph.]

ED Pg. 33, #5 i) [Second paragraph, add the following sentence –

“Special assumptions must be prominently set forth.”

ED Pg. 33, #5 j) [ Second paragraph, second sentence, replace “should” with “must”]

ED Pg. 33, #5 l) [Paragraph 2, Line 4, delete “non-reasoned” and insert “without supporting information” at the end of the sentence.]

### Oral Reports [Recommended additional requirement]

ED Pg. 33 [Insert, as #6 – renumbering the ED #6 to become #7 –

“Oral Reports



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

6. The valuer must promptly document the content of an oral valuation report following its presentation, such as following testimony, including content to address the foregoing requirements for a written report.”]

Rationale: Oral reports are not uncommon in many jurisdictions, especially in court testimony or presentations to management bodies. The recommended addition addresses the minimum requirements for such communication documentation in valuations reported orally.



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

IVS 201.01 Fair Value under International Financial Reporting Standards

International Financial Reporting Standards

ED Pg. 36, #6 [insert at end of third sentence –

“, indicating that the “unit of valuation” might differ from the “unit of account.”]

ED Pg. 38, #12(i) [insert at end of last sentence –

“, while keeping in mind that the unit of valuation might differ from the unit of account.”]

Valuation Reporting

ED Page 39, #13 [Line 2, replace “estimate” with “opinion”

ED Page 40, #13 (c) [Line 3, replace “estimated” with “developed”]

IVS 201.02 Valuations for Depreciation

Depreciation

ED Page 42, #2 [Line 4, replace “estimate” with “indicate”]

ED Page 43, #3, 3<sup>rd</sup> bullet [Line 1, replace “estimated” with “indicated”]

Property

ED Page 43, #5 [Line 4, replace “establish” with “indicate”; Line 7, replace “a notational” with “an indicated current contributory”]

ED Page 43, #6 [Line 1, replace “a notational” with “the indicated contributory”; Line 2, replace “estimated” with “developed”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

IVS 201.03 Valuations for Lease Accounting

Lease Classification

Ed Page 48, #9 [Line 5, replace “estimating” with “developing an indication of”]

Scope of Work

ED Page 51, #23 (f) [Paragraph 2, Line 1, replace “estimate” with “opinion”]

IVS 201.04

Valuations for Impairment Testing

Scope of Work

ED Page 55, #14 (g) [Paragraph 2, Line 1, replace “Where estimating” with “When developing an opinion of”; Paragraph 3, Line 1, replace “Where estimating” with “When developing an opinion of”]

ED Page 55, #14 (i) [Paragraph 2 [Line 2, replace “estimate” with “opinion”]

Scope of Work

ED Page 55, #15 [Line 1, replace “estimated” with “developed”; Line 2, replace “estimated” with “indicated” ; Line 4, replace “estimate” with “indicate”]

Valuation Reporting

ED Page 56, #16 (b) [Paragraph 2, replace “estimate” with “conclude”]

IVS 201.05 Valuations of Property, Plant and Equipment in the Public Sector

International Public Sector Accounting Standards



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## Operational Property, Plant and Equipment

ED Page 59, #7 [Line 3, replace “estimated” with “developed”]

## IVS 202.01 Valuations of Property Interests for Secured Lending

General recommendation – Throughout this subject, where the word “should” appears we recommend replacement with the word “must”, to avoid circumvention of the requirement.

## Valuation Approaches

ED Pg. 65, #3 [Line 1, replace “estimating” with “developing and supporting “]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## IVS 301.01 Valuations of Businesses and Business Interests

[General recommendation – Revise the subject title to “Valuations of Business Interests”]

Rationale: While Business Valuation is a common label in practice, the subject of a business valuation is the ownership interest, which may be held in full or in part.]

### Definitions

ED Pg. 71, #1 (a) [Line 1, insert “ownership” after “business”]

ED Pg. 71, #1 (b) [Line 1, insert “ownership” and delete “to all of its shareholders”; Line 2, replace “liabilities” with “debt”]

ED Pg. 72, #1 (d) [Line 1, insert “equity” between “the” and “ownership”]

### Ownership Rights

ED Pg. 72, #5 [Line 3, insert “within a jurisdiction” after “defined”]

ED Pg. 72, #6 [Lines 3, 4, and 5 [Delete the phrase “to be transferred” in both instances]

### Intangible Assets

ED Pg. 73, #10 [Line 1, insert “, among others,” after “assets”]

### Voting Control

ED Pg. 73, #11 [Line 2, insert “or ownership interest rights under the legal framework and documents establishing the entity (e.g., partnership or limited liability company)”]

### Valuation Approaches

ED Pg. 74, #14 [Lines 3 and 4, delete the sentence]

Rationale: The assertion in the sentence is not necessarily the case.



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## Direct Market Comparison Approach

ED Pg. 75, #20 (b) [replace existing with the following –

“Adjustments may need to be made to render the ratio appropriate for the subject business. Examples include adjustments for differences in risk and expectations of the similar businesses and the subject business.”]

Rationale: As written, this item addresses two subjects – adjustments to financial statements and adjustments to the valuation ratio. The suggested replacement paragraph omits references to the adjustments to the financial statements because that is not the topic of this section. These adjustments to financial statements are detailed on Pg.77, #29 and, it should be noted, are made for application of both the Income Approach and the Direct Market Comparison Approach, depending on what business interest is being valued.

ED Pg. 76. #22 [Line 2, insert “also” after “are” at the end of the line; Delete the last two sentences, beginning with “However, ...”]

Rationale: Inserting “also” avoids implying that the primary use of market prices is only as a reasonableness check on the indication developed in other approaches. Deleting the last two sentences avoids implying that a direct market comparison approach cannot provide a credible indication of value.

ED Pg. 76, #24 [Lines 1 and 2, delete the sentence “The income or cash flow ...”]

ED Pg. 76, #26 [Line 1, delete “capitalization”]

ED Pg. 76, #27 [Line 1, revise the first sentence to read “Enterprise value indications may be developed using profits or cash flows (before debt servicing costs) with a capitalization or discount rate.”; Lines 4 and 5, revise the sentence to read “The interest bearing debt (either actual or present value, but consistently applied in the analyses) is deducted from the enterprise value to determine the equity value.”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

ED Pg. 77, #29 [Line 3, insert “, depending on the jurisdiction,”

Ed Pg. 77, #29 (d) [Second paragraph, add at the end “If equity value is the subject of the valuation, the value of the non-operating assets and liabilities is included.”

ED Pg. 77, #29 (e) [Line 1, third paragraph, insert “or family” after “owner”]

ED Pg. 78, #29 l) [Add a sentence at the end of the second paragraph –

“Alternatively, value adjustments related to the degree of control could be addressed in other ways.”]

Rationale: It is also acceptable and common practice to adjust the forecast for all potential adjustments a control holder could make, and then apply a separate adjustment factor (discount for lack of control) to reflect the degree of control of the subject interest.



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

IVS 301.02 Valuation of Intangible Assets

### Intangible Assets

ED Pg. 79, #2 [Line 1, delete the first sentence]

Rationale: Page 80, # 5 indicates that goodwill is one type of intangible asset (which we believe is generally correct) whereas page 79, # 2 indicates that an intangible asset and goodwill are two different things. Deleting the first sentence of #2 on page 79 avoids the confusion.

ED Pg. 80, #4 [Line 1, add at the beginning of the first sentence “In valuations done for financial reporting ...”]

### Goodwill

ED Pg. 82, #15 [First bullet, Line 1, add before “eg” – “to the degree the benefit of the synergy is not reflected in the value of other assets”]

### Scope of Work

ED Pg. 83, #17 (i) [Second paragraph, Line 2, replace “should” with “must”]

### Income Approach

ED Pg. 84, #28 [Line Line 1, replace “discounting” with “conversion”; insert “to a value indication” after “cash flows”; Line 3, replace “multiple” with “rate” and “constant amount with “representative single period cash flow”]

### Relief-From-Royalty-Method

ED Pg. 85, #30 [Fifth bullet, Line 1, replace “capitalization multiple to capitalize” with “capitalization rate to convert”]

### Cost Approach



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

ED Pg. 87, #41 [Line 1, replace typically” with “may be” and insert “but are not limited to” after “include”]

IVS 303.01 Valuation of Property Interests

[Rename this standard to read “Real Property Interests” and in the bolded text below the Contents section insert the word “real” in front of “property” in the first line.]

[Real] Property Interests

[The material from the Exposure Draft #1 through #6 needs reordering to make #6 (addressing jurisdictional governance) #1, with the following edits:

1. “The relevant characteristics of the real property interest being valued must be correctly identified and analyzed in a valuation.

The types of real property interests are defined and regulated by state (national) law and are usually further controlled by local jurisdictions. A clear understanding of the relevant legal framework that affects the interest being valued is essential before undertaking the valuation of a real property interest.

It is also essential to properly identify the interest being value as to its ownership characteristics. An ownership interest that is held in full may be the entire bundle of rights available to a private owner of property (e.g., without limitation, a freehold interest in some jurisdictions or a fee simple absolute in other jurisdictions) or a portion of the bundle of rights, commonly called a partial interest.

A partial interest is distinct from a fractional interest. A fractional interest in real property is a percentage ownership of the bundle of rights represented in a full or partial interest. For example, given four owners of an underlying real property that is subject to a lease are owners of a partial interest in that real property. Each owner holds a fractional interest (an undivided 25%) in the partial interest.

The material that follows in #2 through #6 of this standard is composed using terminology in the context of one jurisdiction (Great Britain). Users of this standard must interpret the terminology to the context of the jurisdiction that governs the location of the real estate underlying the real property being valued.”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## Rent

ED Page 96, #8 [Line 1, delete “estimated” and insert “most probable”]

ED Page 96, #9 [Line 3, delete “estimated”]

## Income Approach

ED Page 99, #16 [Line 1, replace “estimate” with “develop an indication or indications of”]

ED Page 99, #17 [Line 1, replace “estimate” with “indicate”; Line 3, replace “or yield” with “, which is an overall investment yield rate”; Line 6, insert “(or, in some jurisdictions, the Overall Capitalization Rate, OAR)”]

ED Page 99, #18 [Line 4, replace “estimate” with “indicate”]

## Cost Approach

ED Page 101, #23 [Line 3, replace “estimate” with “indicate”; Line 5, insert after “equivalent.” “In a valuation for market value, the depreciation amount must be supported by market data analyses.”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

IVS 303.02 Valuation of Historic Property

[Rename this standard to “Valuation of a Real Property Interest in Historic Property” and in the bolded text below the Contents section insert the words “a real property interest in” in front of “historic property” in the first line; insert a second paragraph of bolded text to read

“This standard relates to valuations of a real property ownership interest held or to be held as private property, not the valuation of a real property interest held by government or quasi-government entities.]

Rationale: The recommended edit, especially the addition of the second paragraph, is to ensure a valuer recognizes the property interest in a historic property being valued is held or to be held as private property and, consequently, the benefits of ownership to be analyzed are only the benefits available to the private property owner, not the benefits to the government or quasi-government entity.

[Real Property Interest in] Historic Property

ED Page 105, #10 [Delete the paragraph]

Rationale: While we certainly recognize that the valuation of a property such as that cited in the example is difficult, on the premise that all property has some value we question the merit of saying it is not possible to provide a reliable value.



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## IVS 303.03 Valuations of Investment Property under Construction

[Rename this standard to “Valuation of a Real Property Interest in Investment Property under Construction” and in the bolded text below the Contents section insert the words “a real property interest in” in front of “investment property that is in the course of construction” in the first and second line]

### Scope of Work

ED Page 108, #4 [Correct the bullet identifiers below the first paragraph]

### Valuation Approaches

ED Page 108, #5 [Line 1, replace “estimating” with “developing an opinion of”; Line 3, replace “estimate” with “conclude and report”]

ED Page 109, #9 [Line 1, replace “estimate” with “conclude and report”]

ED Page 109, #11 [Line 4, replace “estimate” with “develop and report”; Line 5, replace “estimate” with “support and opinion of”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

IVS 303.04 Valuation of Trade Related Property

[Rename this standard to “Valuation of a Real Property Interest in Trade Related Property” and in the bolded text below the Contents section insert the word “real” in front of “property” in the first line]

Income Approach

ED Page 116, #7 [Line 1, replace “estimating” developing an opinion of”; Line 4, replace “estimated rent” with “concluded market”; Line 5, replace “calculate” with “develop an indication of”]



**RICS**

the mark of  
property  
professionalism  
worldwide

**Americas**

## Glossary of Terms for the International Valuation Standards

### Page 129

Cost approach [Line 1, replace “estimating” with “develop an indication of”]

Fair value [Line 1, delete “estimated”]

Add Fair Value in Financial Reporting [Reference the IFAS version of this definition]

Income approach [Line 1, replace “estimating” with “develop an indication of”]

### Page 130

Market rent [Line 1, delete “estimated”]

Market value [Line 1, replace “estimated” with “most probable”]

### Page 131

Synergistic value [Lines 2 and 3, replace “original interests” with “interests held separately”]

Valuation date [Line 1, replace “estimate” with “opinion”]

Add Value in Exchange

Add Value in Use